

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 44 – SB 548

April 1, 2013

SUMMARY OF ORIGINAL BILL: Authorizes motorcycle operators to ride without wearing a helmet if the operator has a minimum of \$100,000 liability insurance coverage, a minimum \$200,000 medical insurance coverage, has successfully completed a Department of Safety (DOS)-approved motorcycle safety education course, has been legally operating a motorcycle for at least two years, and is at least 21 years of age. Requires the operator to submit proof that all requirements have been met and pay a \$50 fee when renewing the registration tags. Requires the county clerk to issue a sticker to affix to the registration plate to indicate the operator is not required to wear a helmet. Requires the clerk to refund the \$50 fee if it is found that all of the requirements have not been met. Requires the clerk to retain \$10; the remaining \$40 shall be allocated to the Impaired Drivers Trust Fund.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$1,361,400/Recurring/Impaired Drivers Trust Fund

\$174,200/Recurring/General Fund

Increase State Expenditures – Exceeds \$312,400/General Fund

Increase Federal Expenditures – Exceeds \$593,100

Increase Local Revenue – Exceeds \$372,700

Increase Local Expenditures – Exceeds \$100,000

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in tourism or as a result of other behavioral changes prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

SUMMARY OF AMENDMENTS (004386, 004734, 005564): Amendment 004386 deletes all language after the enacting clause. Authorizes a person to operate a motorcycle without wearing a helmet if the person has minimum insurance coverage of \$25,000 for bodily injury or death of one person, \$50,000 for bodily injury or death of two or more people, and \$15,000 for damage to property; and is at least 25 years of age. Requires the operator to submit proof that all requirements have been met and pay a \$50 fee when renewing registration. Requires the county clerk to issue a sticker to affix to the registration plate to indicate the operator is not required to wear a helmet. Requires a person's motorcycle license to be suspended for a period of one year if: the person has been cited on three separate occasions for failure to wear a helmet; the person does not have a helmet exemption sticker; and the person has

not obtained a sticker by the person's first court appearance. Amendment 004734 requires \$25,000 minimum automobile or motorcycle medical payment insurance coverage for an individual to obtain a sticker. Requires the clerk to refund the \$50 fee if it is found that all of the requirements have not been met. Requires the clerk to retain \$15; requires \$5 to be allocated to the General Fund; requires \$15 to be earmarked and transferred to the General Fund; and the remaining \$15 shall be allocated to the Impaired Drivers Trust Fund. Amendment 005564 requires the applicant to have successfully completed a Department of Safety (DOS)-approved motorcycle safety education course or to have been legally operating a motorcycle for at least two years prior to receiving an exemption sticker.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue –

\$357,400/Recurring/Impaired Drivers Trust Fund

\$357,400/Recurring/General Fund earmarked for TennCare

\$201,100/Recurring/General Fund

Increase State Expenditures – \$13,800/One-Time/General Fund

Exceeds \$228,200/Recurring/General Fund

Increase Federal Expenditures – Exceeds \$433,300/Recurring

Increase Local Revenue –\$372,900/Recurring

Increase Local Expenditures – Exceeds \$100,000/Recurring*

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in tourism or as a result of other behavioral changes prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- The Legislative Budget and Finance Committee of the Pennsylvania General Assembly completed a study in 2008 titled, Motorcyclist Injuries and Fatalities Since the 2003 Repeal of the Mandatory Helmet Law. This study showed that helmet usage declined among riders in crashes from 82 percent to 58 percent following repeal of the helmet law. This represents a change in helmet usage among 24 percent of riders (82% – 58%).
- Automobile or motorcycle medical payment insurance premiums for a 12-month period will prove cost prohibitive for some operators.
- The additional fee, insurance requirements, and age requirement will deter some riders from obtaining the sticker. The precise number of operators obtaining a sticker cannot be reasonably determined.
- Approximately 14 percent of motorcycle operators will obtain a sticker.
- According to the Department of Revenue, there were 170,172 motorcycles registered in Tennessee as of January 2013.
- Approximately 23,824 (170,172 x 14%) operators will obtain a sticker.

- A recurring increase in state revenue to the Impaired Drivers Trust Fund of \$357,360 (23,824 x \$15).
- A recurring increase to the state's General Fund of \$119,120 (23,824 x \$5).
- A recurring increase in revenue earmarked for the Bureau of TennCare of \$357,360 (23,824 x \$15).
- A recurring increase in local revenue to the county clerks of \$357,360 (23,824 x \$15).
- The precise cost for county clerks to issue the stickers cannot be determined. According to the County Clerk's Association, the \$15 fee will be sufficient to cover the cost associated with issuing the sticker and storing the additional information. The recurring increase in local government expenditures is reasonably estimated to exceed \$100,000 per year.
- Some operators will be less likely to wear a helmet even without the required sticker due to other riders being exempt from the requirement. The precise increase in noncompliance cannot be determined. Any increase in citations will be not significant; therefore, any increase in fine revenue is considered not significant.
- The National Highway Traffic Safety Administration's sponsored study Evaluation of the Repeal of the All-Rider Motorcycle Helmet Law in Florida showed motorcycle registrations increasing 33.7 percent in the years following repeal of the helmet law; nationally the trend was approximately 29 percent. Data from Kentucky shows that registrations did not increase by a statistically-significant amount in the years following repeal of the helmet law compared to states without changes to the law.
- The Pennsylvania General Assembly study included data showing that the number of motorcycle registrations increased over the seven-year period between 2000 and 2007. In the four-year period (2003 to 2007) following the repeal of the helmet law, the annualized rate of growth for motorcycle registrations was 0.25 percent greater than the previous four years.
- The additional requirements in this bill as amended, including the medical payments requirement, will reduce the impact on motorcycle registrations.
- The precise number of additional registrations attributed to this bill as amended cannot be determined, but is estimated to exceed 200. A state title and registration fee of \$28.50.
- A recurring increase in state revenue exceeding \$5,700 ($\28.50×200).
- A recurring increase in local revenue exceeding \$5,000 for local registration fees and taxes.
- An average motorcycle sales price of at least \$5,000 each.
- The current state sales tax rate is seven percent (7.0%); the average local option sales tax rate is estimated to be 2.5 percent (for the first \$1,600 of the sales price); the state single article sales tax is 2.75 percent (for the portion of the sales price above \$1,600 up to \$3,200).
- The recurring increase in state sales tax revenue is estimated to exceed \$78,800 [$(200 \times \$5,000 \times 7.0\%) + (200 \times \$1,600 \times 2.75\%)$].
- The recurring increase in local option sales tax revenue for local governments is estimated to exceed \$8,000 ($200 \times \$1,600 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.

- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617% $[(5.5\%/7.0\%) \times 4.603\%]$.
- The recurring increase in local government revenue from the state-shared allocation is estimated to be \$2,532 $(200 \times \$5,000 \times 7.0\% \times 3.617\%)$.
- The total recurring increase in local revenue is reasonably estimated to exceed \$372,892 $(\$357,360 + \$5,000 + \$8,000 + \$2,532)$.
- The net recurring increase in state revenue for the General Fund is reasonably estimated to exceed \$201,088 $[\$119,120 + \$5,700 + (\$78,800 - \$2,532)]$.
- According to the Pennsylvania study from 2008, the number of motorcycle crashes increased after the repeal of the helmet law in 2003. From 2000 (3,235) to 2003 (3,553), the number of motorcyclists involved in crashes increased by a three-year annualized growth rate of three and two-tenths percent (3.2%). From 2003 (3,553) to 2007 (4,716), the annualized growth rate for motorcyclists involved in crashes was seven and three-tenths percent (7.3%). The increase in the annualized growth rate is approximately four and one-tenths percent (4.1%).
- The study also found that the number of non-helmeted riders involved in crashes increased from 15 percent to 36.8 percent.
- The number of individuals involved in a crash and hospitalized with a traumatic brain injury increased significantly the two years following the helmet repeal law as compared with the two years prior to the law. The first two years after the repeal, there were 542 head injuries per 10,000 registrants, which is approximately a 101.5 percent increase in the number of traumatic brain injuries over the two years prior $[(542-269)/269]$.
- According to the Bureau of TennCare, on average, 137 motorcycle accident victims with traumatic brain injuries are provided services each year. TennCare estimates at least 58 additional traumatic brain injuries will be provided services each year as a result of a universal repeal of helmet requirements for those age 21 and up.
- Due to 14 percent of riders obtaining a helmet sticker and the age requirement of 25 years, it is anticipated that helmet usage will be slightly higher than if the law was universally repealed for operators 21 years of age and older.
- Based on the additional requirements, an additional 40 TBI cases are expected to be treated by TennCare each year.
- According to the Bureau of TennCare, and a 2008 American Journal of Public Health article Changes in Motorcycle-Related Head Injury Deaths, Hospitalizations, and Hospital Charges Following Repeal of Pennsylvania's Mandatory Motorcycle Helmet Law, hospitalization costs for head injury cases increased by 63 percent more than non-head injury cases.
- According to the Bureau of TennCare, the current average cost to treat a traumatic brain injury is \$8,940. The cost per injury is expected to increase by \$5,632 $(\$8,940 \times 63\%)$. A total cost of \$14,572 per injury $(\$5,632 + \$8,940)$.
- A recurring increase in expenditures of \$582,880 $(40 \times \$14,572)$ from additional injuries.

- Approximately 20 percent of the current number of annual injuries or 27 (137 x 20%) will be more severe and result in the additional cost. A recurring increase in expenditures exceeding \$152,064 (30 x \$5,632).
- An increase in medical expenditures for TennCare exceeding \$734,944 (\$152,064 + \$582,880).
- According to the Department of Commerce and Insurance, automobile or motorcycle medical payment insurance will pay medical costs first, prior to any medical insurance.
- According to TennCare, costs often exceed \$25,000 for one case. The most TennCare paid for one case between 2008 and 2011 was \$147,266. Treating concussions and minor TBI cases have a lower cost, bringing the overall average cost down.
- Operators with TennCare coverage are less likely to obtain and maintain medical payment insurance due to increased premium costs. The precise number of TennCare recipients who obtain and maintain medical payment insurance cannot be reasonably determined.
- Automobile or motorcycle payment insurance is expected to decrease costs paid by TennCare by up to 10 percent.
- A total increase in medical expenditures for TennCare exceeding \$661,450 [(\$152,064 + \$582,880) x 90%].
- The federal participation rate is 65.5 percent; the state share is 34.5 percent.
- A recurring increase in state expenditures exceeding \$228,200 (\$661,450 x 34.5%).
- A recurring increase in federal expenditures exceeding \$433,250 (\$661,450 - \$228,200).
- The Department of Safety will require a one-time programming expenditure of \$13,800 to adjust suspension codes for motorcycle licensing.
- There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this bill. Increases in revenue may occur if the state's tourism increases as a result of changes to helmet usage. Increases in expenditures may occur due to changes in law enforcement demands and health expenditures. Due to multiple unknown factors such as the extent and timing of tourism changes, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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